Redevelopment Housing Activities

Fiscal Year 2005-2006

Department of Housing and Community Development

State of California

Arnold Schwarzenegger, Governor

Dale E. Bonner, Secretary,

Business, Transportation and Housing

Lynn L. Jacobs, Director, HCD

California Redevelopment Agency Housing Activities During Fiscal Year 2005-06

STATE OF CALIFORNIA
Arnold Schwarzenegger, Governor

Business, Transportation and Housing Agency
Dale E. Bonner, Secretary

Department of Housing and Community Development
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FOREWORD

This report describes California's redevelopment agencies' use of their Low and Moderate Income Housing Fund (Low-Mod Fund) and their housing activities. Health and Safety Code Section (H&SC) 33080 et seq., requires redevelopment agencies to report specific information to the Department of Housing and Community Development (Department) in order for the Department to meet its statutory responsibility to annually compile and publish statewide information on redevelopment agencies' housing funds and activities. This is the 22nd report published by the Department.

Of California's 535 local governments, 422 (79 percent) have a redevelopment agency. During 2005-06, 394 agencies were active in either depositing or expending Low-Mod Funds for affordable housing activities.

California's Housing and Affordability Crisis

Housing is a key component of the State's economy and the availability of safe and affordable housing is critical to the quality of life of all Californians. In the early 2000s, California's housing-related industries accounted for nearly two-thirds of the State's job growth with residential construction jobs making up almost one in five housing-related jobs[1]. According to a recent study by the Sacramento Regional Research Institute, the entire housing industry generates close to $273 billion in economic output, supports close to 960,000 jobs and accounts for approximately 11 percent of all economic activity in California. The high cost of housing in California has been cited in every major economic study as a major detractor for the State's business climate. Employers consistently cite the high cost of housing among the top reasons why they do not locate or remain in California.

The continuing severe underproduction of housing compared to demand is a root cause of the State's "housing crisis". During the 1980s, 2.1 million units were built compared to only 1.1 million units in the 1990s. Even though residential building permits steadily increased from nearly 94,000 in 1996 to 213,000 in 2004, housing production continued to fall far short of the State's annual average projected housing need of 220,000 units. Production estimates for 2006 compared to 2005 fell 22 percent from almost 209,000 permits to approximately 164,000 permits. Meanwhile, per California Department of Finance's 2006 estimate for 2020, the State will continue to gain approximately 450,000 people every year. This rate of growth is like adding a city the size of Long Beach or Sacramento every year for the next 13 years.

California's worsening housing shortage has resulted in unprecedented high housing costs and low homeownership rates, especially when compared to the rest of the nation. The State's homeownership rate in 2005 was 59.7 percent, almost 10 percentage points lower than the national rate of 69 percent. Over 2005-06, the combination of underproduction and relatively low and stable mortgage rates continued to spur demand

and increase housing cost. Since 2000, the median sales price for single-family homes more than doubled. In December 2006, the median price reached $567,690, representing a 3.7 percent increase from December 2005. As of the third quarter of 2006, only 24 percent of first-time home buyers could afford the median-priced home.

For renters, the lack of supply and affordability of multifamily housing is particularly critical. The production of multifamily housing decreased nearly 70 percent in the 1990's compared to the 1980's and still accounts for less than 30% of new housing units. The continued low production of multifamily units has been accompanied by steep rent increases and significant housing overpayment. The Census Bureau reported for 2005 that nearly 52 percent of all renters spend more than 30 percent of their income on rent and approximately 25 percent spend more than 50 percent of their income on rent. California families earning minimum wage are particularly burdened by high rent because of an inadequate supply of affordable rental housing. For example, in 2006 a California renter would have to earn a housing wage of at least $22.86 an hour[1]--more than three times California's $6.75 minimum wage to afford the average rent for a two-bedroom apartment. Minimum wage workers would have to work 135 hours per week just to pay the average rent. Too many of California's most critical workers--e.g., kindergarten teachers, office and retail clerks, public safety workers, farmworkers, and nurses' aides--have difficulty affording even the most basic shelter. As a result, workers have to move farther and farther away from job centers in search of affordable housing.

This commuting phenomenon often called, "drive till you qualify" has worsened congestion, air quality, productivity and reduced the quality of life of workers. Workers forced to spend 2-3 hours commuting every day have less time to spend with their families and less time involved in their community. Worse still, according to a recent study, the "drive till you qualify" effort has backfired as working families must spend an even larger portion of their budget on housing AND transportation. For example, working families in Los Angeles and San Diego pay 59 percent of their budget on housing and transportation while families in San Francisco must pay 63 percent.

California's housing crisis impacts everyone in the State. Even for the majority of Californian's who are well housed, there is no escape from the impacts of the supply and affordability crisis. The State's economy, environment, and quality of life are all jeopardized when there is inadequate housing for workers, families and seniors. As a result, a renewed commitment by the public and private sectors is needed to identify resources and strategies to address this need.

Role of Redevelopment Agencies

Redevelopment has long been one of California's most effective tools to revitalize deteriorated and blighted areas plagued by a combination of social, physical, environmental and economic barriers to new investment by private enterprise. Redevelopment encourages new development, creates jobs and generates tax revenues in urbanized areas with underinvestment by developing partnerships between local governments and private entities. Redevelopment law was first established in 1945 to provide local governments the authority and funding mechanism (referred to as property tax increment financing) to improve blighted areas. A redevelopment agency is authorized to keep the property tax increment revenues resulting from increased property values within a redevelopment project area. When a redevelopment project area is established, the agency "freezes" the amount of property tax revenues that other local governments receive from property in that area. In future years, as the project area's assessed valuation grows, the resulting property tax revenues (tax increment) are retained for use by the redevelopment agency instead of going to other government entities (local governments, schools and special districts). Property tax increment financing allows agencies to issue bonds and repay debt from receipt of all future "tax increments." Agencies receive property tax increment over the life of a project area or until debt is repaid which, by law, can not exceed 45 years.

In 1976, the law was amended to require agencies to annually set-aside at least 20 percent of property tax increment into a separate Low and Moderate Income Housing Fund (Low-Mod Fund) to address the community's affordable housing needs. Agency deposits to the Low-Mod Fund now exceed more than $1 billion per year.

Local redevelopment agencies, working together with other public agencies and private industry, play a vital role in addressing California's housing supply and affordability crisis by financially assisting in the development, improvement or preservation of housing for low and moderate-income households. Agencies can use their powers to tackle both the land use and the financing challenges of California's housing supply crisis. Agencies can promote infill development close to job centers and, from their various revenue sources, including the Low-Mod Fund, finance and subsidize the development of housing that lower income workers and families can afford. Low-Mod Funds represent the largest single source of funds that are steadily available to increase, improve, and preserve the supply of affordable housing in California.

Data Compilation and Reporting of Agencies' Housing Funds and Activities

The data redevelopment agencies report on housing funds and activities can be used to determine compliance with provisions of redevelopment law (H&SC, Section 33000, et seq.), evaluate the effectiveness of agencies' use of the Low-Mod Fund, and assess the extent to which agencies' programs, projects, and assistance help to increase, improve, and preserve the supply of low and moderate-income housing. Most agencies are using the Department's electronic on-line reporting system to fulfill their annual reporting requirement in place of filling out paper forms. In an effort to encourage on-line reporting, the Department annually conducts two training sessions at California Redevelopment Association conferences, and provides three to four interactive on-line training sessions that are sponsored by the California Redevelopment Association. The on-line system allows the Department to identify and, in coordination with agencies, make corrections to more accurately report financial data and housing assistance efforts.

While reporting issues concerning accuracy, consistency, and timeliness continue to decrease, some problems persist that impact the accuracy of the annual report, such as incomplete reporting, reporting financial data to the Department that does not agree with audited financial statements or with similar data reported to the State Controller's Office.

Accurate and complete reporting is important to identify and analyze important trends regarding use of housing funds, and the overall effectiveness of redevelopment law and agency activities. Due to agencies and the Department discovering and correcting some errors after report publication, some prior year comparison data discussed and shown in this year's report may differ from prior year published reports.

ENDNOTES

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HIGHLIGHTS OF CALIFORNIA REDEVELOPMENT AGENCIES' HOUSING FUNDS AND ACTIVITIES

Fiscal Year 2005-06

In comparison to FY 2004-05, redevelopment agencies reported a 19 percent increase in annual deposits totaling almost $1.5 billion and nearly $1.1 billion in expenditures constituting a 10 percent increase. Agencies reported total fund equity (net worth) of more than $3.5 billion.

Based on information agencies reported for 2005-06, this report describes certain trends regarding the amount and use of agencies' funds and the results of their housing activities. Financial and housing activity data are displayed in Exhibits A-M with related details summarized in the beginning of each exhibit. Although incidences of late, incomplete or inaccurate reporting are occurring less frequently, some reporting inaccuracies continue to hinder efforts to evaluate agencies' funds, programs, and projects for compliance with redevelopment law.

Highlights of redevelopment agencies' use of funds for housing activities and assistance are described below. A full summary of agency data is included in the body of the report.

Housing Funds

- *Agencies deposited $1.5 billion to their housing fund, an all-time high increase of $238 million (19 percent) compared to 2004-05.*
- *Agencies spent $1.1 billion of housing funds, $94 million (10 percent) more than 2004-05.*
- *Total fund equity or net worth exceeded $3.5 billion at the end of 2005-06.*

- *The statewide unencumbered balance reported at year end was $1.9 billion which represents the amount available for future housing activities. Of this unencumbered amount, agencies reported $718 million as designated for use in the near term, leaving more than $1.2 billion as undesignated and immediately available for housing activities. For the 2005-06 fiscal year, 243 agencies reported having an unencumbered balance over $1 million; last year 236 agencies had an unencumbered balance greater than $1 million. Of this year's 243 agencies:*
  - *149 reported an unencumbered balance between $1 and $5 million;*
  - *49 reported between $5 and $10 million; and*
  - *45 ended the year with an unencumbered balance of more than $10 million. The sum of the unencumbered balances for these agencies approximates $1.2 billion and represents almost 61 percent of the statewide unencumbered balance of $1.9 billion.*

- *Four agencies exempted $14.2 million of property tax increment from deposit to their housing fund, a slight decrease from $14.7 million exempted in 2004-05. However, most of this amount ($13.9 million) is accounted for by one agency that is authorized by special legislation to take an exemption by transferring the housing fund's tax increment revenue to the Los Angeles County Housing Authority.*

- *Six agencies deferred $2.5 million of property tax increment that must be repaid to the Low-Mod Fund. Nineteen agencies repaid $2 million for deferrals taken in previous years. The accumulated deferral balance owed housing funds is $176 million.*

- *Fifty-two agencies reported a total of $112 million as Excess Surplus, meaning each agency had an unencumbered balance exceeding the greater of either $1 million or the sum of the last four years' deposits of property tax revenue (refer to Page 9 for more information). This year's Excess Surplus is almost double the $70 million reported in 2004/2005 by 52 agencies. Although some agencies have consecutively reported Excess Surplus for more than three years, to date, no agencies have yet incurred penalties.*

Housing Activities

- *Agencies assisted 16,255 households. Assistance to elderly households totaled 5,557 whereas non-elderly households were 10,698. Agencies used their Low-Mod Fund to assist households with the following income levels: 5,688 very-low (43 percent); 5,822 low (44 percent), and 1,702 moderate (13 percent). The remaining units (3,043) were assisted with funds other than Low-Mod Funds.*

- *Agencies reported assisting 5,339 units that meet the "inclusionary" requirement for units to remain affordable beyond 45 years. These units consisted of 4,146 reported as new construction, 944 substantially rehabilitated and 249 multifamily units for which long term affordability covenants were purchased.*

- *Low-Mod funds were used to replace 1,082 units to replace units destroyed over the last four years.*

- *Agencies reported additional non-inclusionary or non-replacement activities assisting in constructing 2,933 units; rehabilitating 4,061; subsidizing 777 households and providing several other kinds of assistance benefiting an additional 2,063households.*

- *Agencies (41) reported 587 dwelling units were destroyed in 2005-06 that are required to be replaced. Over the reporting year, a total of 120 households were displaced by activities of 11 agencies, and 25 agencies estimate 612 households will be displaced next year.*

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Housing Activities

Redevelopment Agency Activities – Fiscal Year 2005-06

Redevelopment agency activities reported for FY 2005-06 are based on Low and Moderate Income Housing Fund (Low-Mod Fund) data required to be reported for each fiscal year. Agencies can fulfill their statutory annual reporting requirement by choosing either to report electronically or by completing forms (HCD Schedules A through E in Appendix 2). Reported data in Exhibits A-M reflects information from most, but not all 421 agencies as 22 reported being inactive. Agencies are considered inactive if no Low-Mod Fund deposits or expenditures were made during the reporting year. Also, due to variations in agencies' activities, several agencies may not have information to report under specific activities identified in Exhibits A-M and thus may not appear in particular exhibits.

This report describes agencies' housing funds and housing activities. The *Housing Funds* section describes Low-Mod Fund revenue and expenditure data. The *Housing Activities* section reports on agencies' various housing activities and includes data such as the number of low and moderate income households assisted and the number of elderly and non-elderly households assisted.

HOUSING FUNDS

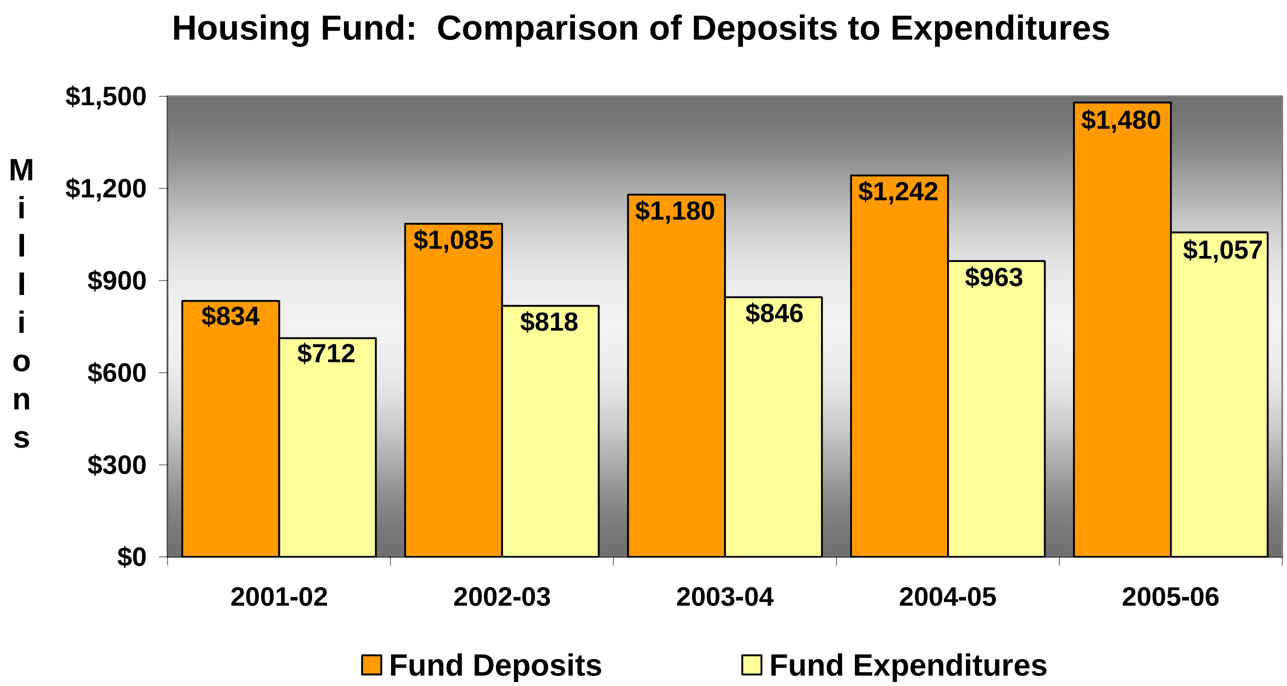
This section reports on the statewide sources and uses of agencies' Low-Mod Funds. Revenues specific to redevelopment project areas, such as allocated property taxes and deposits, are reported in Exhibits A-1 and A-2. Special provisions of redevelopment law allow some agencies to exempt and/or defer all or part of the required minimum 20 percent set-aside of property tax revenue. Agencies reporting any exemptions and/or deferrals are identified in Exhibits B-1 and B-2. Low-Mod Fund data pertaining to total revenues, expenditures, assets, and fund balances are reported in Exhibits C-1 through C-8. Exhibit D identifies agencies with *Excess Surplus* and describes potential severe penalties that could be applied, if appropriate action is not taken within three years.

Sources of Housing Funds

Total deposits to the Low-Mod Fund (Exhibit C-1) approximated $1.5 billion, $238 million more than the prior year. Deposits consisted of more than $1.3 billion of project area receipts and $151 million of Low-Mod Fund (non-project area) revenues such as bond proceeds and transfer amounts. Sources of project area receipts (Exhibit A-1) consisted of $786 million in property tax increment deposits (representing nearly a 17 percent increase from the previous year), $2 million in repayments of property tax increment deferred in past years, and $541 million of additional income (Exhibit A-2). Additional income includes $240 million in debt proceeds, $67 million in interest, $63 million from loan repayments, $30 million from sales of real estate, $13 million from rents and leases, $5 million from grants, $161 thousand received in fees for agency administration of bonds, and $123 million reported as other income from various sources not identified above.

Comparison of Deposits to Expenditures

Both deposits and expenditures have consistently risen over the past five years. During the reporting year, deposits increased by 19 percent and expenditures increased by 10 percent.



Property Tax Increment Exemptions and Deferrals

Exemptions: Health & Safety Code Section 33334.2(a) specifies special conditions in which agencies are allowed to exempt from deposit to the Low-Mod Fund some or all of the required minimum 20 percent set-aside from property tax revenues. Before taking an exemption, the agency's jurisdiction must have adopted a housing element the Department determined complies with State housing element law. Also, agencies must annually make one of the following findings that must be consistent with the jurisdiction's adopted housing element:

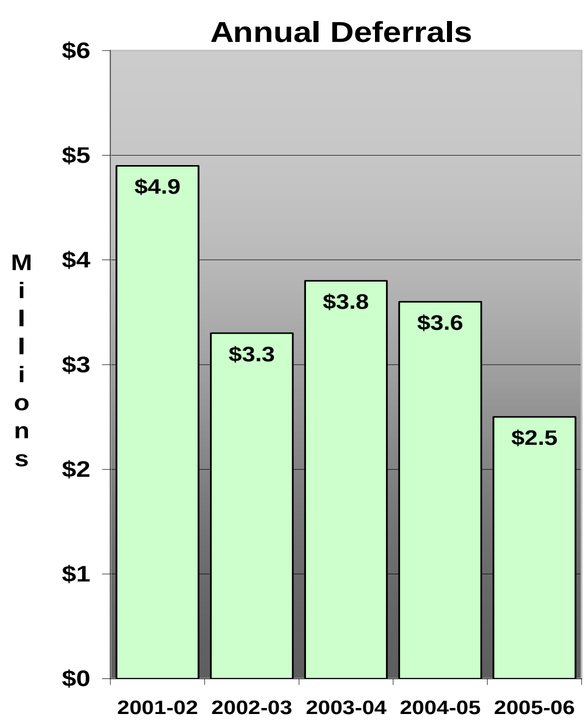
- The community has no need to increase, improve or preserve the supply of affordable housing.
- Less than the required minimum set-aside is sufficient to meet the community's need.
- The community is making a substantial effort to meet its affordable housing need that is equivalent in impact to the funds exempted and the exemption is needed to meet specific existing obligations incurred before May 1991.

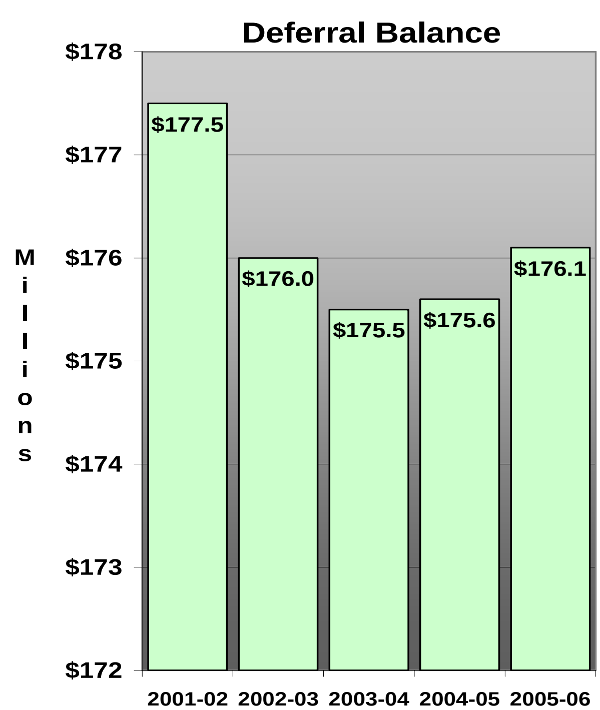
Exhibit B-1 shows four agencies took exemptions totaling $14.2 million, slightly less than last year's exemptions of $14.7 million. For each agency, the amount exempted and resulting percent deposited under the required minimum 20 percent was: Brea ($83,150 exempted; 19.6 percent deposited), City of Industry ($13,954,140 exempted; 0 percent deposited), Needles ($41,768 exempted; 7.5 percent deposited), and Paramount ($184,358 exempted; 17.9 percent deposited). The exemption taken by City of Industry, due to a special statutory provision, accounts for 98 percent of the total amount taken in FY 2005-06. City of Industry, per Government Code Section 65584.3, is allowed to transfer its entire set-aside deposit to the Housing Authority of the County of Los Angeles to spend on construction of low and moderate income housing within 15 miles of the City of Industry's boundary.

Among the four agencies taking an exemption, only the City of Needles failed to meet the requirement of first adopting a housing element that the Department determined complies with State housing element law. Last reporting year the Department requested the City of Needles to review the authority for taking an exemption and to ensure deposit of the correct amount to the housing fund. The City responded by submitting a copy of the annual resolution and findings required by law for taking an exemption. Although the exemption findings that agencies make are required to be submitted to the Department, unlike housing element law, the Department is not mandated to review and determine whether findings submitted comply with redevelopment law.

Deferrals: Redevelopment law, under specified conditions, also allows agencies to defer some or all of the required property tax set-aside deposit to the Low-Mod Fund*.* Deferrals are allowed when funds are needed to repay certain debts specified in redevelopment law. Deferrals of property tax increment reported in Exhibit B-2 constitute a debt to the Low-Mod Fund in which agencies are required to develop repayment plans. As a result deferrals are treated as long-term receivables that account for 15 percent of total *Housing Fund Assets* ($1.1 billion) reported in Exhibit C-2.

For this reporting year, six agencies deferred $2.5 million and 19 other agencies repaid $2 million in prior year deferrals. The graph on the left shows this year's deferrals decreased by $1.1 million compared to deferrals of $3.6 million taken last year. The graph on the right shows the statewide deferral balance rose by $500,000 to $176.1 million.





Uses of Housing Funds

In FY 2005-06 agencies spent just over $1 billion (71 percent of total receipts), a 10 percent increase in expenditures from the prior year, assisting a total of 16,255 households (4,238 fewer households compared to FY 2004-05). Agencies report expenditures by categories of expense (debt service, construction, subsidies etc.) not by household income level (very-low, low, or moderate) or household type (elderly or non-elderly based on whether head of household has reached 60 years of age). Although agencies are not required to report, for example, specifically how much was spent to assist very-low versus moderate income households or elderly versus non-elderly households, inferences can be made from housing activity information that agencies report.

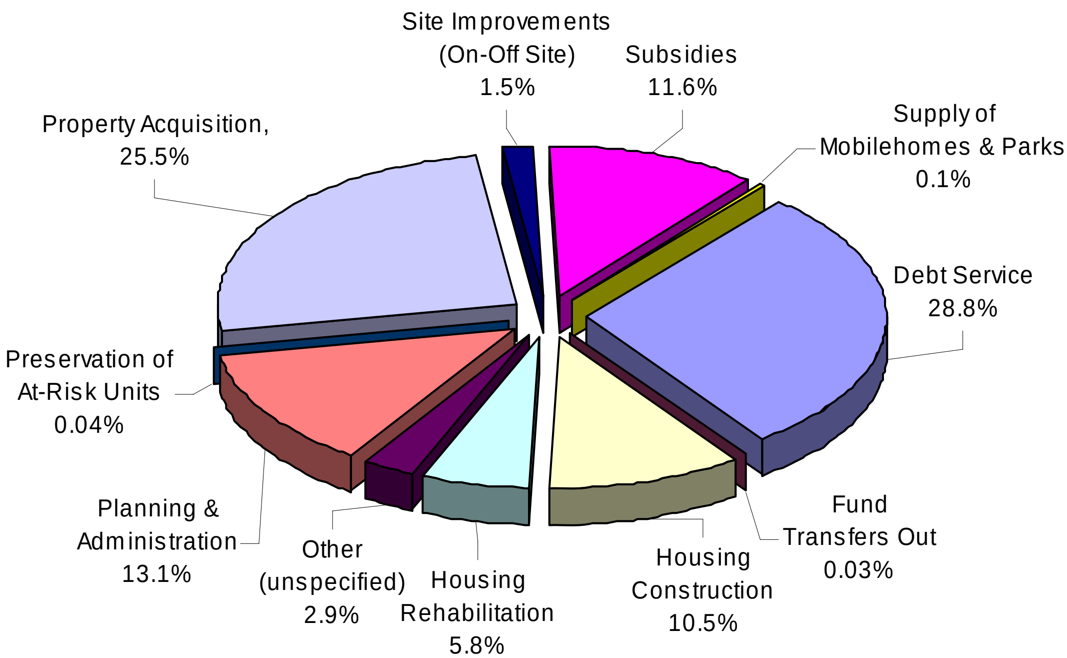
This reporting year, agencies' use of housing funds (Exhibit F-4) assisted more very-low and low income, non-elderly households. Agencies reported household assistance with housing funds as follows: very-low, 5,688 (43 percent); low, 5,822 (44 percent); and moderate, 1,702 (13 percent). Agencies reported using "other" (non Low-Mod) funds to assist 3,043 households as follows: very-low 1,034 (34 percent); low 1,360 (45 percent); moderate 98 (3 percent); and above-moderate 551 (18 percent). Among all households assisted (16,255) with agencies' housing funds and other funds, non-elderly households accounted for 10,698 (66 percent) whereas 5,557 (34 percent) were elderly households.

Housing Fund Expenditures ($1.057 billion) among 11 expenditure categories shown in the pie chart (Use of Housing Funds Over Reporting Year) on the next page reflect wide variances among some categories. For example, Debt Service comprised the highest percentage (nearly 29 percent) of FY 2005-06 expenditures whereas funds spent to increase the supply of manufactured homes and mobilehome parks only approximated 0.1 percent of total expenditures. Consolidating these 11 expenditure categories into four broader activities of building, debt service, other, and subsidies shows agency expenditures differently as follows:

- 43 percent - Building (*acquisition, construction, rehabilitation, and site improvements*)
- 23 percent - Other (*planning & administration and other)*
- 22 percent - Debt *(service and fund transfers)*
- 12 percent - Subsidies (*units at-risk, mobilehomes & parks, and owner/renter assistance*)

Expenditure categories consist of the many cost components identified in Exhibits C-3 through C-7 from information agencies provide in completing the Department's Schedule C (see Appendix 2). For example, *Property Acquisition* (Exhibit C-3) totaling $270 million and 26 percent of total expenditures includes costs for purchases of vacant land and/or structures, relocation expenses, and on/off site clearance and disposal.

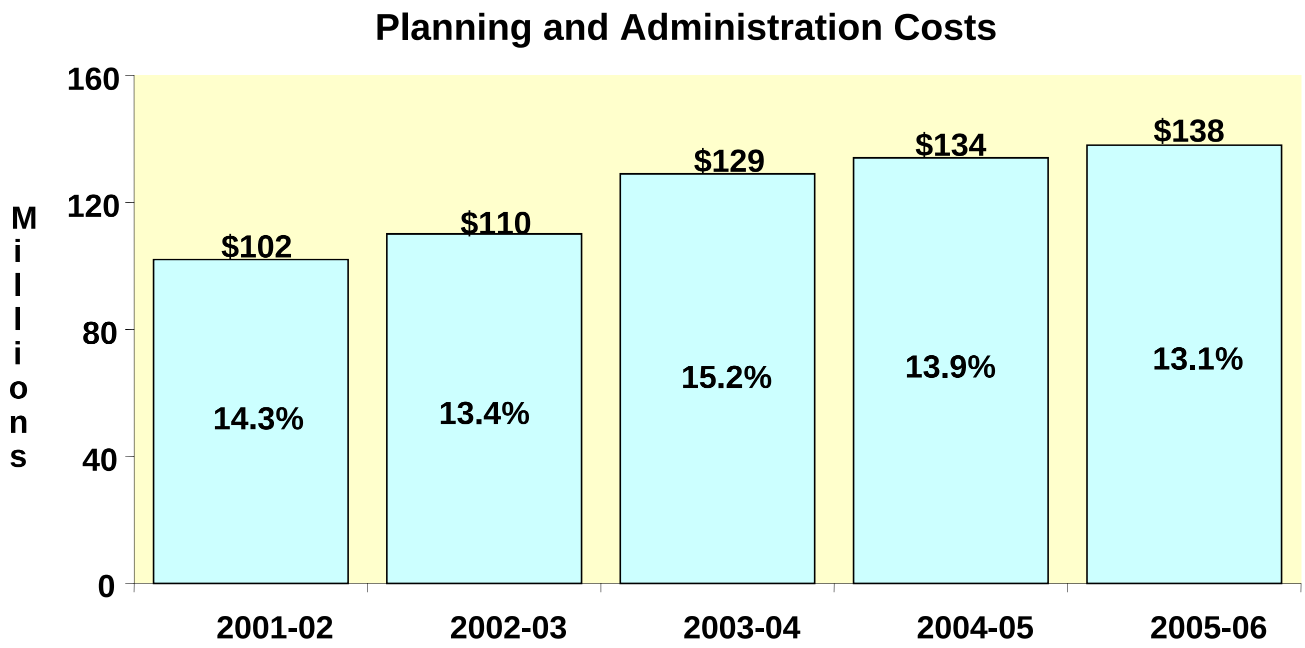
Use of Housing Funds Over Reporting Year



Debt Service	**28.8%**	**$ 304,506,139**
Fund Transfers Out	**0.03%**	**$ 347,008**
Housing Construction	**10.5%**	**$ 111,486,065**
Housing Rehabilitation	**5.8%**	**$ 61,640,642**
Other (unspecified)	**2.9%**	**$ 30,188,549**
Planning & Administration	**13.1%**	**$ 138,043,474**
Preservation of At-Risk Units	**0.04%**	**$ 374,151**
Property Acquisition	**25.5%**	**$ 269,862,607**
Site Improvements (On/off Site)	**1.5%**	**$ 16,153,376**
Subsidies	**11.6%**	**$ 123,001,257**
Supply of Mobilehomes & Parks	**0.1%**	**$ 1,556,003**
Total Expenditures:	**100.0%**	**$ 1,057,159,271**

Planning and Administration Costs

Planning and administration costs represent 13 percent of total expenditures, which is similar to other years shown in the following chart. Agencies reported spending $138 million, approximately $3 million more than reported in the prior year, yet a lower percentage of total expenditures compared to last year.



Note: Percentage Reflects FY Comparison of Costs to Total Expenses

Exhibit C-7 shows amounts agencies spent on such categories as administration; planning; survey and design; and professional services. Exhibit C-8 shows the percentage of total expenditures agencies reported spending on planning and administration. For FY 2005-06, Exhibit C-8 shows 36 agencies reported spending 100 percent of total expenditures on planning and administration (16 more agencies than last year) and 77 agencies spending between 50 and 100 percent of total expenditures on planning and administration (eleven more agencies than last year). Of the 36 agencies that reported spending 100 percent of total expenditures for planning and administrative costs, eight reported spending less than $5,000. The chart on the next page identifies agencies that have, over the last four years, consecutively reported planning and administration expenses of 50 percent or more of total expenditures.

Redevelopment law (H&SC 33334.3(d)) specifies that agencies' planning and administration charges should "not be disproportionate to the amount actually spent" on affordable housing. Agencies are required to make an annual determination that charges are "necessary for the production, improvement, or preservation" of affordable housing. Based on several agency audits the Department has conducted since 1998, agencies do not always make the required annual determination that planning and administration charges are not disproportionate and auditors have found many determinations lacking a comparison to the amount spent on affordable housing. As an example of a poor comparison of costs to number of households assisted, one agency reporting planning and administrative costs of 86 percent, approximating $543,000 this reporting year, and has reported charges above 50 percent over the last eight years (for seven years charges have been above 80 percent). However, this same agency has only reported assisting 27 households over the last eight years.

As there is much variation among agencies, reasons for high planning and administration costs also vary and may include changes in revenue, staff, and, more particularly, the number, size, and development timeframes of projects. The table below identifies seven agencies that reported high planning and administration costs of more than 50 percent in each of the last four years.

Agencies with High Planning and Administration Charges Exceeding 50 Percent of Total Expenditures Over Last Four Years

AGENCY	2002-03	2003-04	2004-05	2005-06
ATASCADERO	100%	100%	100%	100%
KINGSBURG	100%	100%	100%	100%
MARYSVILLE	83%	100%	100%	100%
MONTEREY PARK	86%	94%	92%	83%
SAN CLEMENTE	100%	83%	100%	100%
TORRANCE	78%	77%	51%	78%
TULARE COUNTY	100%	100%	99%	100%

The table below reports the details of the above agencies' planning and administration costs during the reporting year.

Fiscal Year 2005-06 Planning and Administration Charges

AGENCY	Admin Cost	Indirect Costs	Other	Planning, Survey & Design	Professional Services	Total
ATASCADERO	$3,765				$5,000	$8,765
KINGSBURG	$8,645					$8,645
MARYSVILLE	$126,310					$126,310
MONTEREY PARK	$497,007			$23,356	$22,588	$542,951
SAN CLEMENTE	$147,767	$29,200			$13,114	$190,081
TORRANCE	$396,026		$14,571			$410,597
TULARE COUNTY	$374,683					$374,683

Status of Housing Funds and Assets

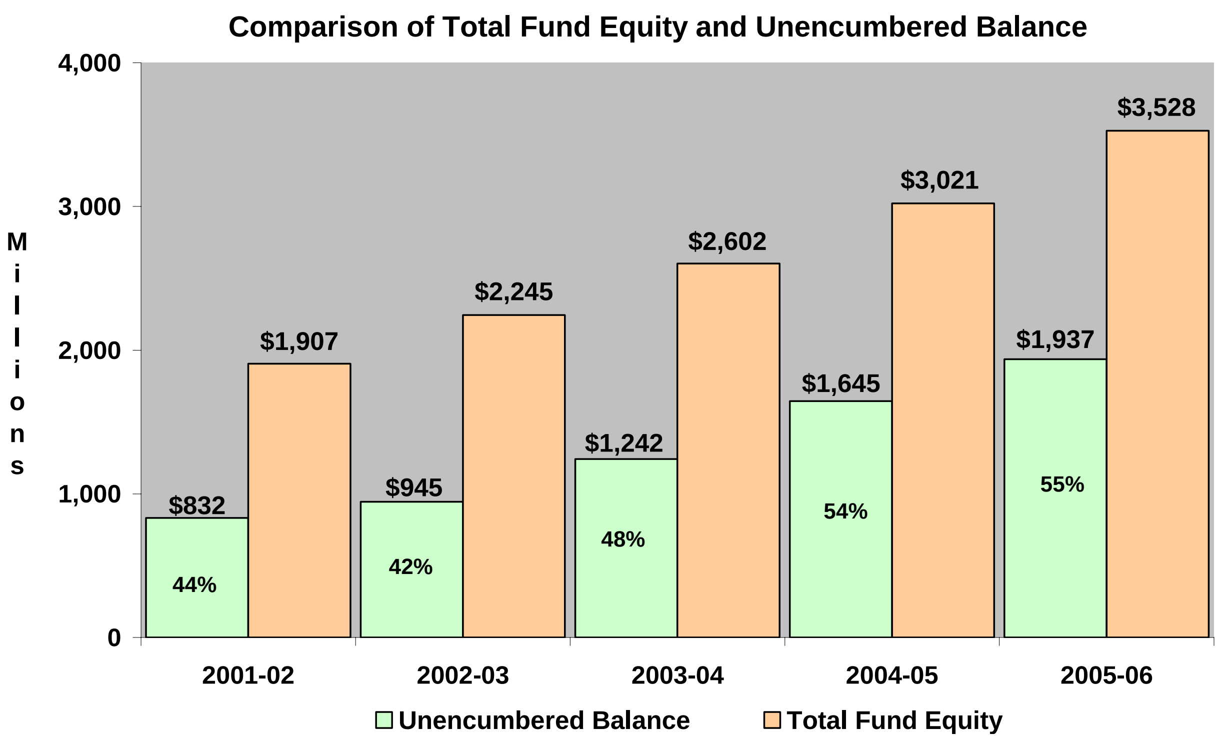
Exhibit C-1 shows redevelopment agencies started FY 2005-06 with an *Adjusted Beginning Balance* of $1.95 billion, $214 million more than the prior year. Agencies ended the year reporting $2.4 billion as *Net Resources Available*, an increase of over $358 million from the previous year. The amount representing *Net Resources Available* is determined by combining the *Adjusted Beginning Balance* ($1.95 billion) with *Project Area Receipts* ($1.3 billion) and *Housing Fund Revenues* ($151 million) and then subtracting *Total Expenses* ($1 billion).

Agencies reported *Total Fund Equity* (net worth) in excess of $3.5 billion, an increase of more than $487 million compared to last year. *Total Fund Equity* represents the sum of *Net Resources Available* ($2.4 billion) and *Housing Fund Assets* ($1.1 billion). *Housing Fund Assets* (Exhibit C-2) consist of the following: (1) receivable loans totaling $471 million made up of housing and residual receipt loans, (2) transfers of $24 million to the *Education Revenue Augmentation Fund*; (3) land holdings of $352 million; (4) accrued deferrals of $176 million; and (5) other assets of $22 million. All *Housing Fund Assets* are considered long-term receivables not immediately available to assist with housing activities.

Funds Available for Future Housing Activities

Of the more than $2.4 billion agencies reported as *Net Resources Available*, $445 million was reported as encumbrances that are funds agencies have reserved to cover executed agreements and contracts. This leaves $1.9 billion as the *Unencumbered Balance* at the end of FY 2005-06. From this amount, agencies then report unencumbered funds tentatively designated for specific purposes and undesignated amounts agencies have not yet planned or budgeted for expenditure. At the end of the year, agencies reported designating $718 million for specific activities in the near term. The approximate $1.2 billion remaining represents funds both unencumbered and undesignated that are considered to be currently available to spend on housing activities.

As depicted in the chart, the Low-Mod Fund's *Unencumbered Balance* comprises 55 percent of *Total Fund Equity*. Compared to FY 2004-05, agencies increased the Low-Mod Fund *Unencumbered Balance* by $292 million (18 percent) and *Total Fund Equity* by $507 million (17 percent). One reason for a high *Unencumbered Balance* may be agencies choosing to save funds over multiple years for future large or difficult affordable housing projects.



For the FY 2005-06 reporting year, 243 redevelopment agencies ended the year with an unencumbered balance over $1 million, whereas only 236 agencies did so last year. Of this year's 243 agencies:

- 149 reported an *Unencumbered Balance* between $1 and $5 million;
- 49 reported between $5 and $10 million and;
- 45 ended the year with an *Unencumbered Balance* of more than $10 million. The sum of these agencies' *Unencumbered Balance* is over $1.18 billion, 60.8 percent of the statewide *Unencumbered Balance* of $1.9 billion.

The table below provides additional information about the 21 agencies that reported ending the current reporting year with an *Unencumbered Balance* over $10 million. The table shows each agency's *Unencumbered Balances* for the last three years and identifies the percentage spent of each year's revenue. The data demonstrates that an agency can have a large *Unencumbered Balance* even after spending much of the year's revenues and in some cases more than 100 percent of the year's revenue by spending a portion of the balance accrued from prior years' revenues and debt proceeds. For example, Lancaster ended FY 2005-06 with a $33.5 million unencumbered balance even though the agency spent 245 percent of the total amount of revenue received in that fiscal year. The agency reported 147 newly constructed affordable senior units in FY 2005-06 and assisting a total of 802 units over the past six fiscal years while carrying large unencumbered balances. On the other end of the spectrum, Inglewood, which has reported an unencumbered balance of more than 20 million for the past three fiscal years and *Excess Surplus* for five consecutive fiscal years, has only reported assisting a total of 60 units over the past five years.

Agencies With Unencumbered Balance Over $10 Million - Last Three Fiscal Years

AGENCIES	FY 2003-04		FY 2004-05		FY 2005-06	
	Unencumbered Balance (Millions)	Percent of FY Revenues Spent *	Unencumbered Balance (Millions)	Percent of FY Revenues Spent *	Unencumbered Balance (Millions)	Percent of FY Revenues Spent *
BURBANK	$14.7	89%	$24.5	80%	$16.5	84%
CERRITOS	$12.7	462%	$16.9	23%	$21.8	22%
COMMERCE	$14.2	720%	$12.8	143%	$13.8	69%
FONTANA	$19.6	95%	$19.6	100%	$27.0	55%
FREMONT	$15.6	305%	$18.0	268%	$16.5	125%
INGLEWOOD	$21.4	95%	$20.8	85%	$23.0	71%
LANCASTER	$37.2	197%	$60.7	39%	$33.5	245%
LOS ANGELES CITY	$64.5	178%	$79.3	79%	$115.0	58%
MILPITAS	$18.2	1437%	$22.2	29%	$26.8	46%
NORCO	$11.9	568%	$13.1	58%	$13.7	94%
OAKLAND	$19.4	127%	$29.9	81%	$86.6	32%
PALM DESERT	$26.6	96%	$25.1	81%	$13.7	125%
POMONA	$19.5	323%	$19.7	109%	$21.8	41%
RANCHO MIRAGE	$35.7	963%	$36.7	84%	$32.1	165%
REDLANDS	$10.2	2326%	$10.3	90%	$11.0	60%
S.F. CITY & COUNTY	$34.9	99%	$48.7	164%	$50.1	80%
SACRAMENTO CITY	$35.2	152%	$30.9	122%	$66.9	28%
SAN MARCOS	$18.3	155%	$24.4	46%	$34.7	43%
SANTA CLARA CITY	$24.7	258%	$27.1	111%	$10.9	57%
SANTA CRUZ COUNTY	$16.9	140%	$19.7	82%	$37.3	31%
WEST COVINA	$17.0	129%	$18.9	57%	$20.1	73%

** Percentage greater than 100% reflects spending more than current year total revenue by spending a portion of fund balance accrued over prior years*

Excess Surplus

Excess Surplus occurs when the housing fund's unencumbered balance exceeds the greater of: (1) $1 million or (2) the combined amount of property tax increment revenue deposited to the Low-Mod Fund during the preceding four fiscal years. Agencies are permitted to adjust their *Unencumbered Balance* to exclude from the *Excess Surplus* calculation both the amount of any unspent debt proceeds and the difference between the fair market value and price of land sold.

Since July 1994, redevelopment agencies have been required to determine the existence of *Excess Surplus* on the first day of their fiscal year and include this information in their annual report. To improve the accuracy of determining *Excess Surplus*, redevelopment law was amended (Chapter 442, Statutes of 1999 [AB 634]) to require an agency's independent auditor to calculate and report *Excess Surplus* as part of the agency's annual audit.
The annual audit report is required to be provided to both the State Controller and the Department. A subsequent amendment (Chapter 741, Statutes of 2001 [SB 211]), specifies that before agencies can amend pre-1994 project area plans to extend the time limit to incur additional debt and continue to receive property tax revenue, agencies must ensure *Excess Surplus* has not been accumulated and submit appropriate verification to the Department.

Redevelopment law (H&SC Section 33334.12) specifies administrative and financial penalties, if *Excess Surplus* funds are not eliminated within prescribed time periods. To avoid penalties, agencies must either: (1) transfer *Excess Surplus* to the local housing authority within one year or (2) spend or encumber any remaining *Excess Surplus* within two additional years.

For FY 2005-06, 52 agencies reported having *Excess Surplus* that, statewide, totals $112 million, almost double the amount of $70 million reported for FY 2004-05 by the same number of agencies. Only 10 agencies included the detailed *Excess Surplus* expenditure plan, required by H&SC Section 33334.10(a), explaining how the agency intends to eliminate its *Excess Surplus*. As agencies have made past errors in calculating and reporting *Excess Surplus*, prior to publishing this report, the Department contacted all 52 agencies requesting verification and other appropriate information. Agency responses will determine whether the Department takes additional action such as conducting its own agency audit to verify *Excess Surplus* and whether an agency is subject to penalties. Although the below eight agencies have reported *Excess Surplus* over the last five years, to date, none have reported penalties.

Excess Surplus Reported By Agency For 5 Years					
	2001-02	**2002-03**	**2003-04**	**2004-05**	**2005-06**
DESERT HOT SPRINGS	$24,612	$123,775	$215,837	$511,352	$450,131
GRAND TERRACE	$2,308,829	$359,733	$2,642,155	$931,800	$1,133,726
INGLEWOOD	$11,185,291	$9,873,721	$13,081,684	$12,608,232	$11,740,993
LAKEWOOD	$553,473	$542,616	$721,028	$797,295	$833,208
LYNWOOD	$2,312,438	$2,644,084	$1,315,355	$5,985,460	$5,155,253
SAN BUENAVENTURA	$705,938	$267,098	$928,947	$924,226	$949,057
SONOMA COUNTY	$749,437	$954,425	$621,664	$1,310,263	$822,193
TORRANCE	$377,534	$17,494	$282,618	$525,266	$556,288

HOUSING ACTIVITIES

This section reports the results of agencies' use of funds (Low-Mod Fund and other funds such as grants) for housing activities. Redevelopment law restricts agencies' use of the Low-Mod Fund to "increasing, improving, and preserving" the community's supply of low and moderate income housing.

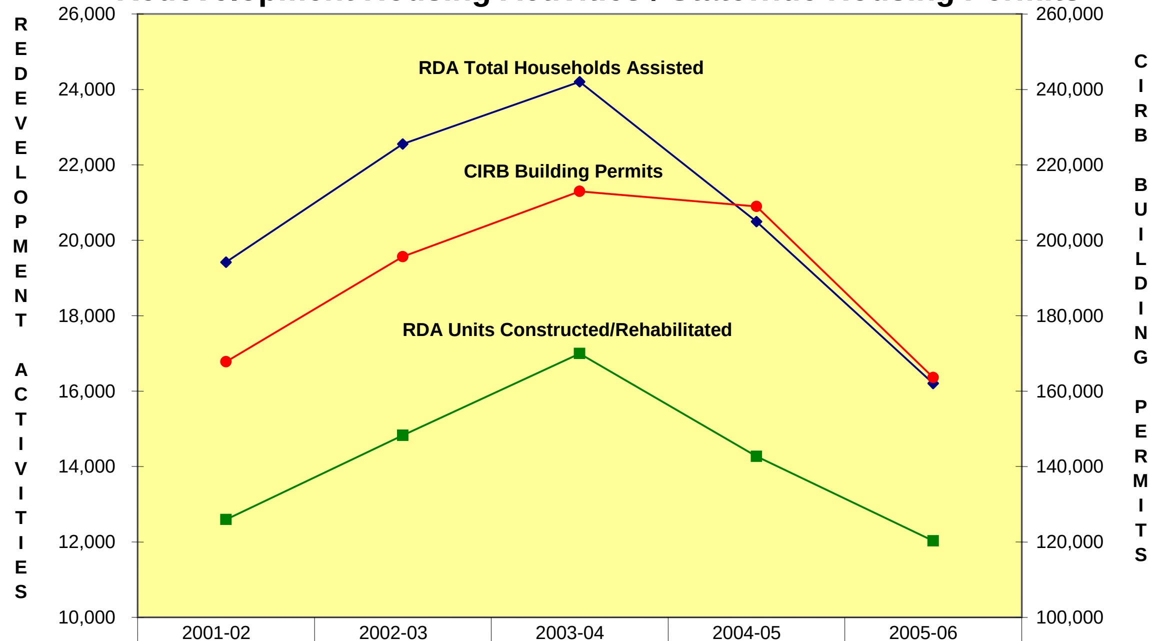
Pursuant to H&SC Section 33080.4, agencies are required to report specified information to the Department annually including: (1) number of elderly and non-elderly households assisted, (2) the number of very-low , low, and moderate income households assisted from the Low-Mod Fund, and (3) the number of above-moderate income households assisted with agencies' other (non Low-Mod Fund) funds.

Exhibits E through M display housing assistance data in a variety of ways such as by county, agency, project area, and program and/or housing project, based on agency entries on the reporting forms (Schedules A-E in Appendix 2). Data on housing activities that directly assisted eligible households (such as the number of rent subsidies, units constructed or rehabilitated, etc.) are reported in Exhibits E through F. Exhibit G identifies the increased inclusionary obligations for future additional affordable units within project areas. These obligations are based on the number of newly constructed units and/or substantially rehabilitated units that were developed in project areas over the reporting year. Exhibit H and Exhibit I report data on households displaced and dwelling units destroyed or removed. Exhibits J through M report *Other Housing Activities* that have an indirect or future impact on agencies' housing assistance efforts such as expenditures made for on- and off-site improvements, housing estimated to occur over the next two years, land holdings, and use of agency funds for a homeownership bond program to match certain federal funds.

For FY 2005-06, agencies reported assisting a total of 16,255 households. This decrease of more than 21 percent over the previous reporting year paralleled the statewide decline in new residential construction based on issued building permits reported to the California Construction Industry Research Board.

Five Year Trend Comparison:

Redevelopment Housing Activities / Statewide Housing Permits



	2001-02	2002-03	2003-04	2004-05	2005-06
RDA Constr & Rehab	12,593	14,827	16,998	14,268	12,084
RDA Total HH Assisted	19,422	22,549	24,204	20,493	16,255
CIRB Building Permits	167,761	195,682	212,960	208,972	163,595

CIRB: Construction Research Industry Research Board (1/26/2007): Calendar year reported building permits

RDA: Redevelopment Agency: Fiscal year reported total households assisted and units constructed and rehabilitated

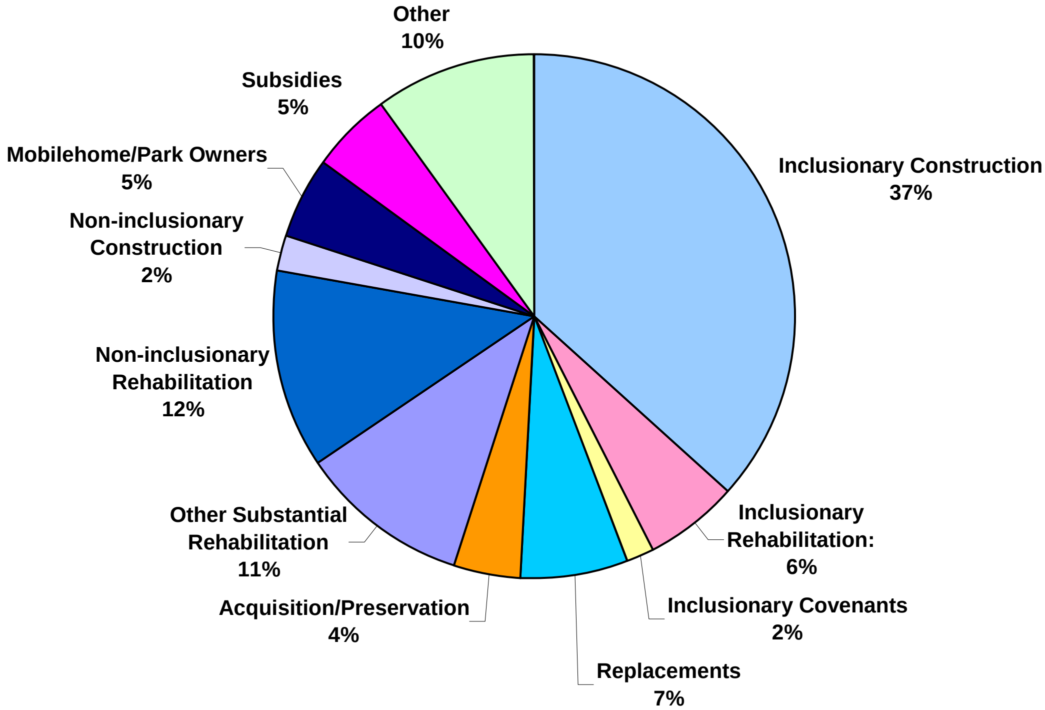
Types of Households Assisted

Exhibit F-1 shows redevelopment agencies reported assisting 5,557 elderly and 10,698 non-elderly households. Exhibit F-4 describes the following households/units assisted, by income category, using the Low-Mod Fund: 5,688 very-low, 5,822 low and 1,702 moderate. In addition, using “other funds” agencies reported assisting, by income category, the following households/units: 1,034 very-low, 1360 low, 98 moderate and 551 above-moderate.

Kinds of Housing Activities

Housing assistance activities vary from agency to agency to address the different needs within communities and project areas. Agencies report statutorily required information on forms (Schedules A-E at Appendix 2). Information reported on housing assistance activities ranges from developing more affordable units to subsidizing housing costs and/or providing grants to very-low, low and moderate income homeowners to help with repairs. The chart on the following page shows all reported housing assistance activities for FY 2005-06.

Fiscal Year 2005-06 Housing Assistance Categories



Certain housing activities trigger the replacement and inclusionary requirements of H&SC Section 33413. This section of law requires agencies to ensure, within a specified timeframe, that additional units are affordable to eligible households either because affordable units were destroyed or additional units were constructed or substantially rehabilitated within project areas.

Before the law was amended by AB 1290 (Chapter 942, Statutes of 1994), the types of housing meeting the replacement requirements of H&SC Section 33413(a) and the inclusionary requirements of H&SC Section 33413(b) consisted of new construction and rehabilitation. Since 1994, inclusionary requirements can be met by new construction and substantial rehabilitation housing activities and, up to 50 percent, by acquisition of affordability covenants.

Number of Households Assisted by Activity

As stated previously, redevelopment agencies statewide assisted 16,255 households in FY 2005-06. The following table reports the number of households assisted by housing activity. Activities are categorized according to whether the assistance met the replacement and/or inclusionary requirements of H&SC Section 33413 or whether the activity represents other housing assistance. Also reflected is whether the assistance was provided by the Low-Mod Fund or other agency funds.

Fiscal Year 2005-06 Total Housing Activities and Households Assisted

H&SC 33413 Requirement	Activity Low-Mod Fund	Activity Other Funds	Total H&SC 33413	Other Housing Assistance	Activity Low-Mod Fund	Activity Other Funds	Total Other Housing	TOTAL Households (All Funds)
INCLUSIONARY	5,339		**5,339**	Other Assistance	1,205	433	**1,638**	
Construction	4,146		4,146	Other Construction	1080	1,110	**2,190**	
Substantial Rehabilitation Post-1993	855		855	Other Subst Rehabilitation	1264	445	**1,709**	
Rehabilitation Pre-1994	89		89	Other Rehabilitation	1,586	427	**2,013**	
Acquisition of Covenants	249		249	Acquired / Preserved	466	206	**672**	
REPLACEMENT	1082		**1,082**	Manufactured / Mobilehome	438	397	**835**	
				Subsidy	752	25	**777**	
Total	6,421		**6,421**	**Total**	6,791	3,043	**9,834**	**16,255**

For detailed information identifying agencies (by county, agency, and project area) and the kinds of housing assistance provided to households based on level of income, refer to Exhibits E-1 through E-12. Exhibits F-1 through F-4 summarizes Exhibit E data in different ways. For example, Exhibit F-1 summarizes which agencies engaged in various activities and identifies the number of households assisted, by income category, according to activity, county of residence, and whether assistance was provided to an elderly or non-elderly household. Exhibit F-2 categorizes housing activities by area (inside or outside of project areas), and whether the activity was reported as agency or non-agency assisted. Activities in Exhibit F-3 reflect those that agencies reported as other assistance or that met a H&SC Section 33413 replacement or inclusionary requirement in which agencies are required to ensure units remain affordable for at least 45 years for owner-occupied units or 55 years for renter-occupied units. Exhibit F-4 sorts activities based on agencies' use of the Low-Mod Fund or other funds.

Health and Safety Code Section 33413 Inclusionary Activities

Inclusionary activities refer to housing units with long-term affordability restrictions that agencies control for sufficient years (at least 45 years pursuant to amendments made in 2001) to meet the requirements of H&SC Section 33413(b). The requirements of this section are commonly referred to as either the inclusionary or production requirements because agencies must ensure a specified percentage of all project area housing units are affordable. Health and Safety Code Section 33413(b) applies to housing that is constructed or substantially rehabilitated within project areas. Agencies are required, within ten years, to ensure a specific percentage of units are provided as affordable to low and moderate income households and to ensure such units remain affordable for the longest feasible time, but not less than 45 years for owner-occupied units or 55 years for rentals.

For dwelling units that agencies develop, the inclusionary requirement is 30 percent, of which at least half must be affordable to very-low income households. For non-agency developed dwelling units, the inclusionary requirement is 15 percent of which at least 40 percent must be affordable to very-low income households. Agencies can count the following activities to fulfill their inclusionary obligation: units constructed, units substantially rehabilitated, and multifamily units in which agencies have acquired long-term affordability covenants.

Prior to 1994, any kind of rehabilitation activity within project areas increased agencies' inclusionary obligation to provide more affordable units within 10 years. Chapter 942, Statutes of 1993 (AB 1290) specifies that rehabilitation must be substantial, which is defined as an increase of at least 25 percent in the value of the property after rehabilitation, including the value of land.

A "2-for-1" inclusionary provision was also introduced by AB 1290. This provision allows agencies to meet their "project area" inclusionary housing obligation by producing two affordable units outside the project area for every inclusionary unit required inside the project area.

Inclusionary New Construction

Exhibit F-3 shows agencies reported 4,146 newly constructed units as meeting H&SC Section 33413 inclusionary provisions. Most inclusionary new construction was reported as non-agency developed (3,187) versus agency developed (959). New construction assistance from the Low-Mod Fund benefited owner and renter households among the following income levels: 1,488 very-low (36 percent), 1,923 low (47 percent), and 735 moderate (17 percent). Most inclusionary construction was inside project areas (2,584 units) rather than outside project areas (1,528 units).

Inclusionary Rehabilitation—Pre-1994

Agencies reported 89 substantially rehabilitated housing units as inclusionary, slightly above the 72 reported last year (Exhibit F-3). The following households were assisted: 81 very-low , 6 low, and 2 moderate income. All rehabilitated units (89) were reported as non-agency developed with most (77) being outside of project areas versus (12) inside of project areas.

Inclusionary Substantial Rehabilitation—Post-1993

Activity reported as Substantial Rehabilitation in Exhibit F-3 shows agencies assisted 855 households versus 1,185 in the prior year. By income category, assisted households included: 405 very-low, 383 low, and 67 moderate. Agency developed units were reported as 187 and non-agency developed units were 668. A greater number of units (675 or 79 percent) were assisted outside project areas.

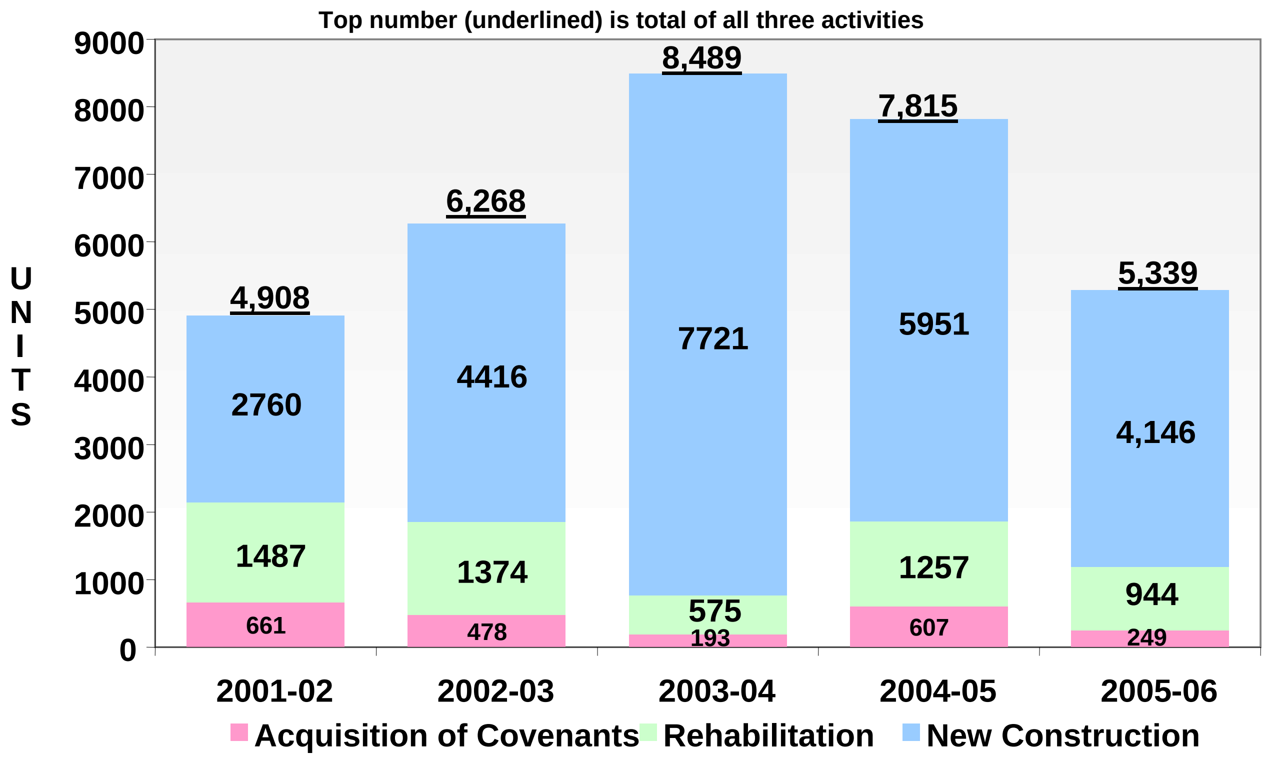
Inclusionary Acquisition of Affordability Covenants

Agencies can meet up to 50 percent of their inclusionary obligation by purchasing covenants on multifamily units that are not currently affordable or are not expected to remain affordable and restricting the rents to affordable levels. During FY 2005-06, agencies reported assisting 249 households, considerably less than the 607 reported last year. Households, by income level, represented 44 very-low and 205 low. Affordability covenants purchased within project areas benefited 137 households whereas 112 were assisted outside of project areas.

Summary of All Inclusionary Housing Activities

The chart below profiles five years of inclusionary housing activities assisted with Low-Mod Funds and reflects units that have long-term affordability restrictions complying with inclusionary requirements. Yearly fluctuations reflect the moving time periods (10 years) in which agencies are required to fulfill the inclusionary or production obligation incurred over a particular year (e.g. an obligation incurred in 1994 may have been met in 1995 or 2004).

Comparative Summary of Fiscal Year Inclusionary (H&SC Section 33413) Housing Activities



Increase in Inclusionary Obligation

For FY 2005-06, Exhibit G shows agencies increased their inclusionary obligation and must ensure, within the next ten years, an additional 1,031 units remain affordable. Agencies' increased inclusionary obligations resulted from project area new construction (5,171) consisting of 1,339 agency developed new units and 3,832 non-agency developed new units and substantial rehabilitation (288) consisting of 74 reported as agency developed and 214 reported as non-agency developed. Inclusionary obligations incurred this year (1,031 units) are below last year's (1,479 units).

Health and Safety Code Section 33413 Replacement Housing Activities

Exhibit F-3 shows agencies reported 1,082 dwelling units toward meeting their replacement H&SC Section 33413(a) obligations. In the prior year, 937 replacement units were reported. Replacement obligations are required to be met within four years of removing dwelling units affordable to low or moderate income households from the housing stock. In addition, agencies must ensure replacement units provide at least as many bedrooms as were included in the units removed and that replacement units be comparable in affordability to units removed. Agencies reported meeting part of their replacement requirements from new construction (743) and substantial rehabilitation (339) activities based on requirements in effect before 1994 and changes made after 1993. Agencies developed 731 units whereas non-agency entities developed 351 of all replacement units.

Agency developed replacement units within project areas totaled 609 compared to 122 outside of project areas. For non-agency developed replacements units, 253 were within project areas and 98 were outside of project areas.

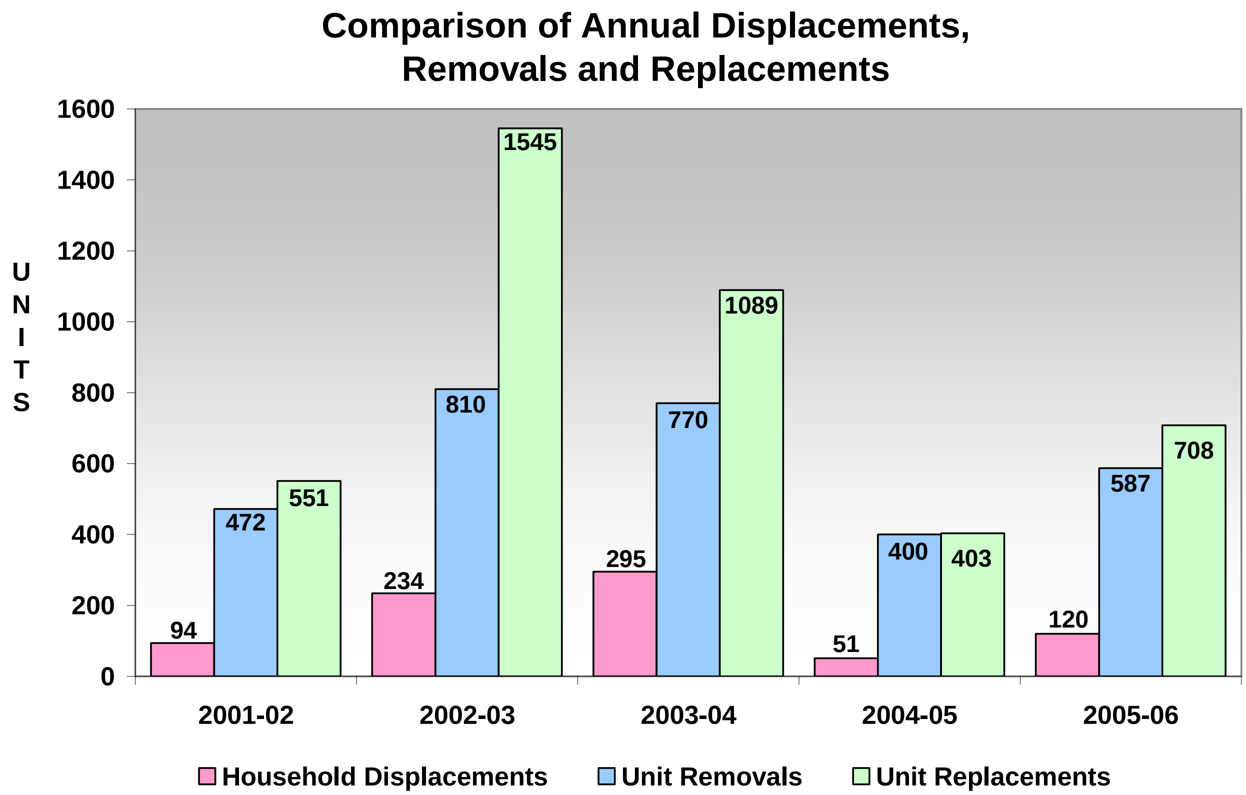
Housing Units Removed and Households Displaced

As cited in H&SC Section 33413(a), whenever dwelling units housing persons and families of low or moderate income are destroyed or removed from the low and moderate income housing stock as part of a redevelopment project, the agency must replace these units within four years. An agency may replace destroyed or removed dwelling units with a fewer number of replacement dwelling units providing the number of bedrooms among all replacement dwelling units equal or exceed the total number of bedrooms of all destroyed or removed units.

Exhibit H-1 indicates 587 affordable units were removed within project areas and Exhibit H-2 shows agencies must replace, within four years, all these units and ensure that replacement units provide at least 770 bedrooms. Dwelling units destroyed included 80 occupied by elderly households and 507 occupied by non-elderly households.

As for households displaced over the reporting year (Exhibit I-1), agencies reported 37 as elderly and 83 as non-elderly households. Exhibit I-2 provides agency displacement estimates for the next reporting year indicating agencies anticipate displacing 612 households (59 elderly and 553 non-elderly). Prior to displacing households, agencies are required to develop relocation and replacement housing plans pursuant to H&SC Section 33411.

The chart below shows agencies' displacement, removal, and replacement activities over the last five years.



Other Housing Assistance Activities

Assistance identified in these exhibits excludes inclusionary and replacement activities and involves assisting households with the Low-Mod Fund and/or other funds such as federal and State grants and amounts from agencies' other funds such as from 80 percent of property tax increment not required to be set-aside for affordable housing purposes. Since agencies can use funds other than the Low-Mod Fund to assist households, some activities reported in Exhibit E through Exhibit F identify above-moderate income households. The new construction and substantial rehabilitation reported as "other" activities represent units agencies did not claim for inclusionary credit, most likely because such units lacked adequate affordability restrictions.

Agencies reported providing many other (non-inclusionary or non-replacement) kinds of assistance to 9,834 households. Most (6,791) were assisted with the Low-Mod Fund. Exhibit F-4 shows agencies used other funds (not the Low-Mod Fund) for some new construction to assist a total of 1,110 households of which 518 were above-moderate income households.

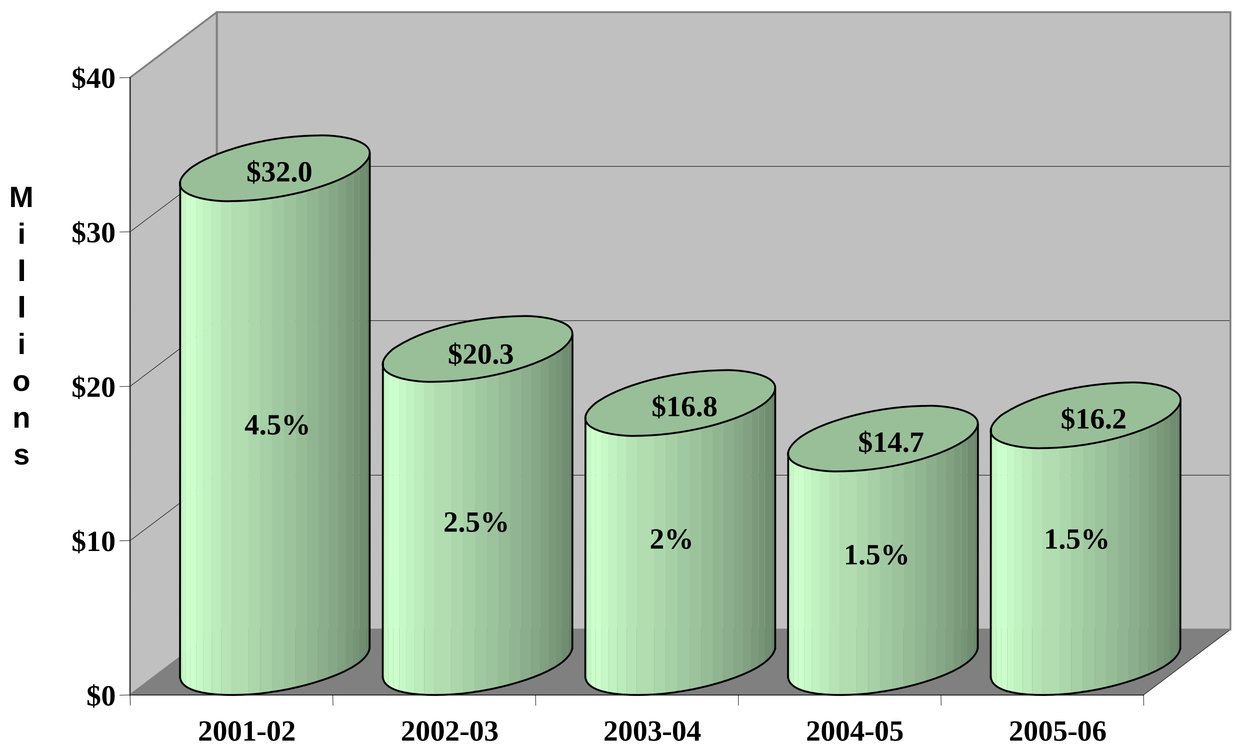
Other reported kinds of activities (funded by a combination of funding sources) and the number of households benefiting were: construction (2,190); substantial rehabilitation (1,709); rehabilitation (2,013); dwelling unit acquisitions (216); preservation of affordable units including subsidized units at-risk of conversion to market-rate rents (456); manufactured home or mobilehome residents (442) and manufactured home or mobilehome residents who are park owners (393); providing subsidies (777) such as for monthly rent; and miscellaneous other 1,638) such as providing small grants to assist owners with repairs.

On/Off-site Improvements

Redevelopment law allows agencies to use the Low-Mod Fund for site improvements when such improvements directly benefit housing units affordable to low and moderate income households. Improvements must be part of a program to benefit affordable housing units or be determined by the agency as necessary to eliminate a condition jeopardizing the health or safety of persons occupying restricted affordable housing units. An example of spending Low-Mod Funds to remedy a health or safety issue would be the removal of contaminated soil near a subsidized affordable housing project.

Expenditures in FY 2005-06 expenditures for site improvements reflect a low percentage (1.5 percent) of total expenditures, similar to last year, and not much fluctuation over the past five years. Exhibit C-6 shows agencies reported spending $16.2 million ($1.5 million more than last year) for site improvements benefiting 1,327 affordable housing units (Exhibit J). Improvements were reported as benefiting 550 new units and 148 rehabilitated units and eliminating a health or safety hazard impacting 629 units.

On/Offsite Improvements
Costs and Percentage of Total Expenditures



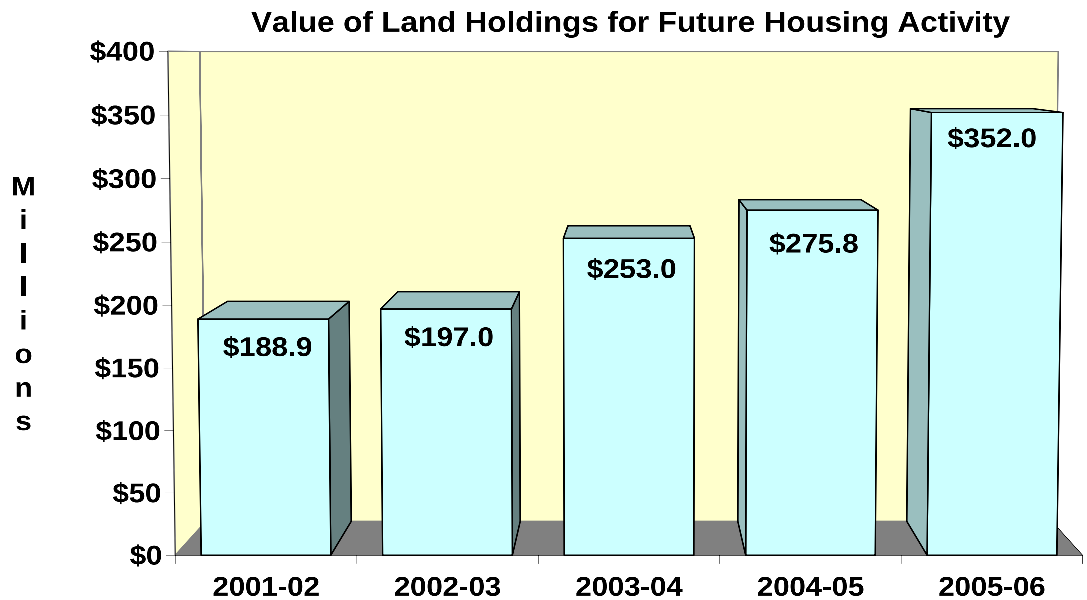
Future Construction

Exhibit K-1 identifies agencies' estimates of affordable units anticipated to be completed over the next two fiscal years based on executed development agreements and contracts. The financial obligations attached to these contracts are reflected as part of encumbered dollars. A total of 18,387 units are forecast to be developed to accommodate 8,355 very-low income households, 6,204 low income households, and 3,828 moderate income households. As reported in Exhibit K-2, agencies expect most construction over the next two years to occur inside project areas (12,308) as opposed to outside of project areas (6,079). Last year, agencies projected similar total activity (16,267), with 65 percent estimated to occur inside versus outside of project areas.

Land Holdings

Exhibit L contains data reported by 98 agencies about specific sites, acreage, zoning, dates of acquisition, and estimated dates when affordable housing projects may begin. Land held for future affordable housing projects total 514 sites approximating 796 acres (last year, 410 sites encompassed 932 acres). Agencies also reported values of land holdings as an additional asset (refer to Exhibit C-2) totaling $352 million for the reporting year, approximating a 28 percent increase over last year ($275.8 million). Values of land holdings over the last five years are shown below.

Health and Safety Code Section 33334.16, requires agencies to initiate development activities within five years of land acquisition; however, agencies are permitted one five-year extension. Land not developed within the required time period must be sold, with all proceeds deposited to the Low-Mod Fund. Chapter 362, Statutes of 1999, amended the law to require agencies' independent auditors to determine agency compliance. Auditors are required to provide any findings to the State Controller's Office (SCO) to follow-up and resolve major violations, such as failure to develop or dispose of land. Last year, the SCO reported six agencies failed to initiate timely development and/or dispose of land holdings. The SCO, by June 1, is required to report unresolved major violations to the Attorney General (AG) for final action. The AG contacts agencies requesting verification that adequate corrective action has been taken and then determines what additional action is necessary to enforce compliance.



Miscellaneous Plans and Information

To assist homebuyers, including persons and families with an above-moderate income, redevelopment law allows agencies to contribute other funds (non Low-Mod Funds) and also spend Low-Mod Funds to assist above-moderate income homebuyers, but only when agencies comply with other specific requirements. This year, 19 agencies reported spending some Low-Mod Funds to assist above-moderate income homebuyers, pursuant to H&SC Section 33334.13. This section requires agencies, within two years of assisting above-moderate income persons, to expend twice the total sum of assistance to exclusively increase and improve the supply of affordable housing to lower-income households. In addition, at least 50 percent of these required expenditures must benefit very-low income households.

Nine agencies reported using other funds (non Low-Mod Funds) pursuant to H&SC Section 50836(b) to assist homebuyers. Agency assistance was provided to support the federal HOME affordable housing grant program and participate in funding projects that receive federal funding, pursuant to either Title II or IV of the Cranston-Gonzolez National Affordable Housing Act.